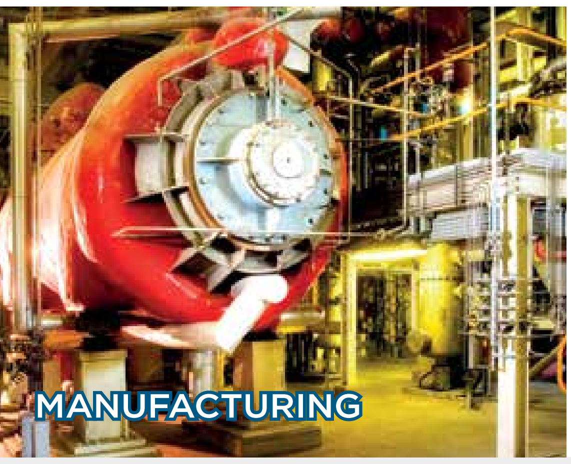
Unaudited Results
for the six months ended 31 December 2012



COMMENTARY

SEGMENTS

LOGISTICS

Unitrans comprises a specialist supply chain business which designs, implements and manages supply chains and logistics for a diverse customer base on a long-term contractual basis in selected African countries. In addition, this segment includes the Unitrans passenger division which provides transport to the public, tourist and personnel market segments throughout southern Africa.

INTEGRATED TIMBER

PG Bison's operations comprise forestry plantations and various manufacturing and upgrading plants which manufacture and distribute sawn timber, poles, wood-based panel products, decorative laminates, resin and solid surfacing materials to a diverse customer base in southern Africa.

MANUFACTURING

The manufacturing division produces a number of key industrial products such as polyethylene terephthalate (PET/resin), and industrial foam products used in the automotive and furniture industries. In addition, this segment includes the manufacturing operations of both the food and industrial footwear divisions.

OPERATIONAL REVIEW

LOGISTICS

Unitrans Supply Chain Solutions

The supply chain operations of Unitrans reported a solid set of results, supported by good growth in the higher margin African operations. An improved mix in the southern African business led to partial recovery of margins given the reduced volumes and increased costs resulting from the road freight industry strike.

Unitrans Passenger

The passenger division reported good growth supported by a growing Intercity/Commuter market segment. The growth in this segment was fuelled by increased traffic on the African intercity routes. In addition, our strategy to expand our service offering and customer base in geographical areas where we are already in operation further reduced overheads and increased margin on the contractual side of our business.

INTEGRATED TIMBER

PG Bison produced an improved set of results for the period, following a major restructuring of the Panel Products division. The restructure resulted in healthy cash generation, improved trading margins and lower overheads. In addition, the company's forestry, sawmilling, pole and resin divisions continued to perform well.

Market conditions remained stable for the period in both Panel Products and Timber. The company was able to increase volumes and sales in a period where imports into South Africa decreased and competitors exited the market.

PG Bison remains focused on optimising its product management, marketing and sales execution activities, and on driving the efficiencies of its integrated model.

MANUFACTURING

The manufacturing division increased revenues by 8% and increased operating profit by 15% on a comparable basis. This increase was led by market share gains and industry growth in KAP's two largest manufacturing divisions, Hosaf (PET) and Feltex (Automotive). In addition, the food and footwear manufacturing divisions increased profitability, while, despite strong revenue growth, the furniture and bedding division was unable to maintain margins.

FINANCIAL REVIEW

Impact of the acquisition of the Steinhoff Industrial assets

The acquisition of the Steinhoff Industrial assets effective 2 April 2012, classified as a reverse acquisition under IFRS 3 Business Combinations, impacts the comparability of the December 2012 results versus those of the prior year as follows:

1. Income statement: The results for the combined group are included for the six months to December 2012. The comparative figures reflect only the results of the Steinhoff Industrial assets. The only segment that is affected by this is that of the manufacturing division.
2. Statement of financial position: All assets and liabilities for the combined group are included as at 31 December 2012. The comparative figures reflect only the assets and liabilities of the Steinhoff Industrial assets as at 31 December 2011.

In order to support a real comparison on the figures, the table below highlights the indicative comparative:

	1H13	1H12	KAP as reported 1H12	Comparable	% change
Revenue – unaudited					
Logistics	**3 671**	3 590	–	3 590	2
Integrated Timber	**1 177**	1 140	–	1 140	3
Manufacturing	**3 115**	426	2 449	2 875	8
	7 963	5 156	2 449	7 605	5
Intersegment revenue elimination	**(62)**	(58)	–	(58)	
	7 901	5 098	2 449	7 547	5
Operating profit before capital items – unaudited					
Logistics	**354**	332	–	332	7
Integrated Timber	**154**	145	–	145	6
Manufacturing	**165**	33	110	143	15
	673	510	110	620	9

Revenue

As set out in the table above organic revenue growth amounted to an increase of 5% while reported revenue increased by 55% to R7 901 million compared to the prior period. From an operational point of view, the growth is pleasing when viewed against the backdrop of the three-week road freight industry strike, and various restructuring initiatives to facilitate our exit from low-margin business. As a result, profitability and margins increased.

Operating profit

The operating profit margin of the combined business increased from 8,2% to 8,5%, while operating profit on a comparable basis increased by 9% to R673 million. The margin improvement in the logistics division was supported by strong growth from the passenger division. The timber division increased margins to 13,1% (1H12: 12,7%) and this improvement reflects the positive effects of the restructuring of the business. The manufacturing division's margin of 5,3% (1H12: 5,0%) was due to a good performance in the two largest divisions, Hosaf (PET) and Feltex (Automotive).

Cash flow

The marked improvement in the working capital investment and cash flow generation of the combined group during its peak trading period is particularly encouraging.

Cash generated from operations now represents 96% of operating profit before capital items (vs 68% in the comparative period), mainly as a result of the improvement in the working capital investment by R346 million (1H12: R436 million). In addition, despite the increased investment in expansionary capital expenditure of R277 million (1H12: R146 million) and the increased dividend payment of R154 million (1H12: R13 million), the group is well positioned to continue to generate strong cashflows for the remainder of the year.

Debt structure and finance costs

The group's net debt of R3 820 million (1H12: R3 953 million) translates into a debt/equity ratio of 66% (1H12: 93%). The majority of the debt is represented by a shareholder loan with predetermined maturity dates which supports the capitalisation of the group in the medium to long term.

Management remains confident that the serviceability of the debt is well under control as is evidenced by the net finance costs of R189 million (1H12: R188 million), but more importantly the improved EBITDA/interest cover ratio at 5,6 times (1H12: 4,4 times).

Earnings per share (EPS) and headline earnings per share (HEPS)

Despite the dilutionary effect of the new shares issued in respect of the traditional KAP assets, fully diluted EPS increased by 31% to 15,6 cents and fully diluted HEPS increased by 20% to 14,2 cents. The difference between EPS and HEPS relates mainly to the effects of profits on disposal of property, plant and equipment.

Net asset value

Despite the dilutionary effect of the new shares issued in respect of the traditional KAP assets, the net asset value per share increased by 11% from 223 cents to 248 cents.

OUTLOOK

With a more stable labour environment expected given the three-year agreement reached in October last year, the logistics division expects improved operating performance in the second six months of this financial year. In addition, our African growth plan has gained momentum and the growing geographical diversity has already started to benefit Unitrans.

The successful turnaround experienced at PG Bison is encouraging for the timber division and bodes well for profitable growth in an improved market. In line with the company's objective of being the premier flat board manufacturer and primary upgrader in Africa, PG Bison commissioned a new melamine-faced board press at its Boksburg operation, and is at an advanced stage in the installation of a new SupaWood (medium-density fibreboard) plant, also at its Boksburg operation. This is expected to be commissioned in September 2013.

The manufacturing division is now well positioned to deliver on its long-term strategic plans, and the recent weakening of the Rand and government's increased focus on job creation continues to provide opportunities for local manufacturers.

APPRECIATION

This is the first full period of published results as a combined group. The six months under review has been an exciting time for the group and we are pleased to report that the implementation and consolidation of our business was seamless. We are now operating as one group, determined to maximise our returns on invested capital and to continue to gain market share in the industries that we have identified as key to our sustainable growth strategy. We would like to extend our sincere gratitude to all our employees, shareholders, customers and suppliers for the support they have given us during this transformational time in KAP's history.

INTERIM DIVIDEND

In line with historical policy, the group has not declared an interim dividend.

Signed on behalf of the board.

J de V du Toit
Non-executive chairman

Jo Grové
Chief executive officer

18 February 2013

KAP Industrial Holdings Limited
("KAP" or "the company" or "the group")
Non-executive directors: J de V du Toit (Chairman), M J Jooste, A B la Grange, J B Magwaza, I N Mkhari, S H Müller, S H Nomvete, P K Quarmby, D M van der Merwe, C J H van Niekerk
Executive directors: K J Grové (CEO), J P Haveman (CFO)

Registration number: 1978/000181/06
Share code: KAP
ISIN: ZAE000059564
Registered address: 28 6th Street, Wynberg, Sandton, 2090
Postal address: PO Box 18, Stellenbosch, 7599
Telephone: 021 808 0900 Facsimile: 021 808 0901

Transfer secretaries: Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001
Company secretary: Steinhoff Africa Secretarial Services (Proprietary) Limited
Auditors: Deloitte & Touche
Sponsor: PSG Capital (Proprietary) Limited

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Complementary business units and African growth deliver revenue and margin improvement.

HEPS increases by **21%** to 14,4 cents per share (1H12: 11,9 cents per share)

Reconstituted business improves cash flow performance

Operating profit before capital items increases to R673 million (1H12: R510 million)

Cash generated from operations increases to R646 million (1H12: R346 million)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 Dec 2012 Unaudited Rm	31 Dec 2011 Unaudited Rm	30 June 2012 Audited Rm
ASSETS			
Non-current assets			
Intangible assets and goodwill	**1 332**	1 229	1 311
Property, plant and equipment, investment properties	**6 286**	5 039	6 129
Biological assets	**1 706**	1 587	1 656
Investments and loans	**125**	84	83
Deferred taxation assets	**66**	100	76
	9 515	8 039	9 255
Current assets			
Inventories	**1 452**	673	1 367
Accounts receivable, short-term loans and other current assets	**2 646**	1 730	2 457
Cash and cash equivalents	**1 097**	435	1 346
Assets classified as held for sale	**–**	–	15
	5 195	2 838	5 185
Total assets	**14 710**	10 877	14 440
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary stated share capital	**6 970**	6 111	6 969
Reserves	**(1 157)**	(1 853)	(1 405)
	5 813	4 258	5 564
Non-controlling interests	**120**	60	119
Total equity	**5 933**	4 318	5 683
Non-current liabilities			
Interest-bearing long-term liabilities	**3 893**	2 220	3 800
Deferred taxation liabilities	**770**	648	723
Other long-term liabilities and provisions	**60**	23	101
	4 723	2 891	4 624
Current liabilities			
Accounts payable, provisions and other current liabilities	**3 030**	1 500	3 047
Interest-bearing short-term liabilities	**291**	37	343
Bank overdrafts and short-term facilities	**733**	2 131	743
	4 054	3 668	4 133
Total equity and liabilities	**14 710**	10 877	14 440
Net asset value per ordinary share (cents)	**248**	223	238
Net gearing ratio (%)	**66%**	93%	64%

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 Dec 2012 Unaudited Rm	Six months ended 31 Dec 2011 Unaudited Rm	Year ended 30 June 2012 Audited Rm
Cash generated before working capital changes	**992**	782	1 627
Changes in working capital	**(346)**	(436)	279
Increase in inventories	**(85)**	(76)	(11)
(Increase)/decrease in receivables	**(183)**	(29)	176
(Decrease)/increase in payables	**(78)**	(331)	114
Cash generated from operations	**646**	346	1 906
Net interest paid	**(189)**	(178)	(375)
Dividends paid	**(154)**	(13)	(4)
Dividends received	**1**	1	1
Taxation paid	**(67)**	(33)	(68)
Net cash inflow from operating activities	**236**	123	1 460
Additions to property, plant and equipment – expansion	**(277)**	(146)	(419)
Additions to property, plant and equipment – replacement, net of proceeds and government grants received	**(194)**	(203)	(320)
Other investing activities	**(45)**	17	122
Net cash outflow from investing activities	**(516)**	(332)	(617)
(Decrease)/increase in bank overdrafts and short-term facilities	**(10)**	738	(950)
Increase/(decrease) in interest-bearing loans and borrowings	**41**	(885)	697
Shares issued	**2**	–	–
Net cash inflow/(outflow) from financing activities	**33**	(147)	(253)
Net (decrease)/increase in cash and cash equivalents	**(247)**	(356)	590
Effects of exchange rate changes on cash and cash equivalents	**(2)**	21	(14)
Cash and cash equivalents at the beginning of the period	**1 346**	770	770
Cash and cash equivalents at the end of the period	**1 097**	435	1 346

ADDITIONAL INFORMATION

	Six months ended 31 Dec 2012 Unaudited Rm	Six months ended 31 Dec 2011 Unaudited Rm	Year ended 30 June 2012 Audited Rm
Note 1: Capital items			
Profit on disposal of property, plant and equipment	**35**	1	6
Foreign currency translation reserve released on disposal of subsidiary	**–**	–	6
Negative goodwill	**–**	–	93
Profit on disposal of investments and associate companies and impairments	**8**	–	(24)
	43	1	81
Note 2: Headline earnings attributable to ordinary shareholders			
Earnings attributable to owners of the parent	**370**	230	574
Adjusted for:			
Capital items (note 1)	**(43)**	(1)	(81)
Taxation effects of capital items	**10**	–	(3)
	337	229	490

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 Dec 2012 Unaudited Rm	Six months ended 31 Dec 2011 Unaudited Rm	Year ended 30 June 2012 Audited Rm
Profit for the period	**385**	239	596
Other comprehensive (loss)/income	**(4)**	42	(10)
Actuarial gain on defined benefit plans	**–**	–	2
Exchange differences on translation of foreign subsidiaries	**(4)**	42	(11)
Deferred taxation	**–**	–	(1)
Total comprehensive income for the period	**381**	281	586
Total comprehensive income attributable to:			
Owners of the parent	**366**	272	564
Non-controlling interests	**15**	9	22
Total comprehensive income for the period	**381**	281	586

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 31 Dec 2012 Unaudited Rm	Six months ended 31 Dec 2011 Unaudited Rm	% change	Year ended 30 June 2012 Audited Rm
Revenue		**7 901**	5 098	55	11 018
Operating profit before depreciation amortisation and capital items		**1 055**	821	29	1 738
Depreciation and amortisation		**(382)**	(311)		(632)
Operating profit before capital items		**673**	510	32	1 106
Capital items	1	**43**	1		81
Earnings before interest, dividend income, associate earnings and taxation		**716**	511	40	1 187
Net finance costs		**(189)**	(188)		(382)
Finance costs		**(264)**	(263)		(499)
Income from investments		**75**	75		117
Share of profit of associate companies		**3**	6		11
Profit before taxation		**530**	329	61	816
Taxation		**(145)**	(90)		(220)
Profit for the period		**385**	239	61	596
Attributable to:					
Owners of the parent		**370**	230	61	574
Non-controlling interests		**15**	9		22
Profit for the period		**385**	239	61	596
Headline earnings per ordinary share (cents)		**14,4**	11,9	21	24,2
Fully diluted headline earnings per ordinary share (cents)		**14,2**	11,8	20	24,1
Basic earnings per ordinary share (cents)		**15,8**	12,0	32	28,4
Fully diluted earnings per ordinary share (cents)		**15,6**	11,9	31	28,2
Number of ordinary shares in issue (m)		**2 346**	1 913	23	2 337
Weighted average number of ordinary shares in issue (m)		**2 338**	1 913	22	2 019
Earnings attributable to ordinary shareholders (Rm)		**370**	230	61	574
Headline earnings attributable to ordinary shareholders (Rm)	2	**337**	229	47	490

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 31 Dec 2012 Unaudited Rm	Six months ended 31 Dec 2011 Unaudited Rm	Year ended 30 June 2012 Audited Rm
Balance at the beginning of the period	**5 683**	3 999	3 999
Changes in ordinary stated share capital			
Net shares issued	**2**	–	–
Reverse acquisition adjustment: pre-reverse acquisition share capital of legal parent	**–**	–	858
Changes in reserves			
Total comprehensive income for the period attributable to owners of the parent	**366**	272	564
Dividends paid	**(141)**	(17)	(335)
Share-based payments	**30**	26	6
Reverse acquisition adjustment: movement in share capital of acquirer	**–**	24	24
Reverse acquisition adjustment: elimination of pre-acquisition reserves of legal parent	**–**	–	500
Other reserve movements	**(8)**	5	(1)
Changes in non-controlling interests			
Total comprehensive income for the period attributable to non-controlling interests	**15**	9	22
Dividends and capital distributions paid	**(14)**	–	–
Acquired on acquisition of subsidiary	**–**	–	46
Balance at the end of the period	**5 933**	4 318	5 683
Comprising:			
Ordinary stated share capital	**6 970**	6 111	6 969
Reverse acquisition reserve	**(3 952)**	(4 452)	(3 952)
Distributable reserves	**2 760**	2 510	2 531
Share-based payment reserve	**86**	69	49
Other reserves	**(51)**	20	(33)
Non-controlling interests	**120**	60	119
	5 933	4 318	5 683

SEGMENTAL ANALYSIS

	Six months ended 31 Dec 2012 Unaudited Rm	Six months ended 31 Dec 2011 Unaudited Rm	% change	Year ended 30 June 2012 Audited Rm
Revenue				
Logistics	**3 671**	3 590	2	6 822
Integrated Timber	**1 177**	1 140	3	2 286
Manufacturing	**3 115**	426	631	1 993
	7 963	5 156	54	11 101
Intersegment revenue eliminations	**(62)**	(58)		(83)
	7 901	5 098	55	11 018
Operating profit before capital items				
Logistics	**354**	332	7	701
Integrated Timber	**154**	145	6	273
Manufacturing	**165**	33	400	132
	673	510	32	1 106
Reconciliation between operating profit per income statement and operating profit before capital items per segmental analysis				
Operating profit per income statement	**716**	511		1 187
Capital items	**(43)**	(1)		(81)
Operating profit before capital items per segmental analysis	**673**	510		1 106

	31 Dec 2012 Unaudited Rm	31 Dec 2011 Unaudited Rm	30 June 2012 Audited Rm
Total assets			
Logistics	**5 062**	4 792	4 722
Integrated Timber	**4 536**	4 827	4 449
Manufacturing	**3 824**	738	3 767
	13 422	10 357	12 938
Reconciliation between total assets per statement of financial position and total assets per segmental analysis			
Total assets per statement of financial position	**14 710**	10 877	14 440
Less: Cash and cash equivalents	**(1 097)**	(435)	(1 346)
Less: Investments and loans in associate companies	**(87)**	(73)	(74)
Less: Interest-bearing loans receivable	**(30)**	(10)	(9)
Less: Related party receivables	**(74)**	(2)	(73)
Total assets per segmental analysis	**13 422**	10 357	12 938

GEOGRAPHICAL INFORMATION

	Six months ended 31 Dec 2012 Unaudited Rm	Six months ended 31 Dec 2011 Unaudited Rm	Year ended 30 June 2012 Audited Rm
Revenue			
Southern Africa	**7 901**	5 098	11 018

NON-CURRENT ASSETS

	31 Dec 2012 Unaudited Rm	31 Dec 2011 Unaudited Rm	30 June 2012 Audited Rm
Non-current assets			
Southern Africa	**9 515**	8 039	9 255

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance

These condensed financial statements have been prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the AC 500 Standards as issued by the Accounting Practices Board, the interpretations adopted by the International Accounting Standards Board (IASB), and the information as required by IAS 34 Interim Financial Reporting and the requirements of the Companies Act of South Africa, as amended.

2. Basis of preparation

The condensed financial statements are prepared in millions of South African Rands (Rm) on the historical cost basis, except for certain assets and liabilities which are carried at amortised cost, and derivative financial instruments and biological assets which are stated at their fair values.

The preparation of the group's condensed consolidated financial results for the six months ended 31 December 2012 was supervised by John Haveman, the group's chief financial officer.

KAP's acquisition on 2 April 2012 of the Steinhoff Industrial assets qualifies as a reverse acquisition under IFRS 3 Business Combinations, which has the following implications for these results:

1. Income statement: The results for all assets are included for the six months to December 2012. The comparative figures have been restated to reflect only the Steinhoff Industrial assets' results.
2. Balance sheet: All assets and liabilities are included as at December 2012. The comparative figures have been restated to reflect only the Steinhoff Industrial assets.

3. Financial statements

These results have not been reviewed or reported on by the group's auditors. The results were approved by the board of directors on 18 February 2013.

4. Changes in accounting policies

The accounting policies of the group have been applied consistently to the periods presented in the consolidated financial statements.

5. Related party transactions

KAP has entered into various transactions with related parties, all of which are at arm's length.

6. Post-balance sheet events

No significant events have occurred in the period between the end of the period under review and the date of this report.

7. Changes to the board

There were no changes to the board of directors other than previously announced on SENS.